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**ARIZONA CORPORATION COMMISSION**

Brian McNeil  
Executive Secretary

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February 27, 2004

Mr. Jim Pignatelli  
President and CEO  
UniSource Energy Services  
1 South Church, Suite 1870  
Tucson, AZ 85701

Re: Natural Gas Price Issues in Prescott; UNS Gas & Citizens Communications PGA Surcharge, Docket No. G-01032E-03-0515; Citizens Communications & UNS Energy Corporation – Sale of Assets, Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-0914, E-01032C-02-0914, G-01032A-02-0914

Dear Mr. Pignatelli:

Your customers in Prescott are now experiencing rate shock, the likes of which I have never seen before. This cannot be allowed to continue.

At the Open Meeting where the Commission approved UniSource's purchase of Citizens' Gas and Electric assets, UniSource assured the Commission that there would not be customers who would have to choose between buying their medications and paying their gas bill. Based on what I have heard from your customers at the two public comment meetings this week, it seems to me that people in Prescott have indeed had to make this Hobson's choice.

In Decision No. 65384, the Commission instituted a PGA surcharge holiday. This holiday eliminated the PGA surcharge for the months of January and February and cut the surcharge in half for the months of December and March. I originally suggested the holiday surcharge relief because I was concerned that the holiday season and the heating season occur when people are struggling to pay their other bills. Now, after hearing the plight of your customers in Prescott, I believe that it may be appropriate to reinstitute the PGA surcharge holiday. Although reinstituting the holiday will increase the amount of time it takes the PGA bank balance to reach zero, it will provide your customers with much-needed relief from the overwhelming increase in their gas bills.

Sincerely,

A handwritten signature in cursive script that reads "William A. Mundell".

William A. Mundell, Commissioner  
Arizona Corporation Commission

cc: Chairman Marc Spitzer  
Commissioner Hatch-Miller  
Commissioner Gleason  
Commissioner Mayes  
Brian McNeil, Executive Secretary  
Ernest Johnson, Director of Utilities  
Docket Control